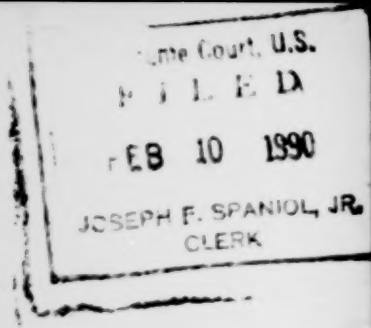


89-1318



No. \_\_\_\_\_

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IN THE SUPREME COURT OF THE UNITED STATES  
October Term 1989

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Martha H. Egly and Michael J. Manchester, Petitioners,

v.

Minnesota Mining & Manufacturing Co., Respondent

---

PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT  
OF APPEALS FOR THE FEDERAL CIRCUIT

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Counsel for Petitioners

February 8, 1990

### QUESTION PRESENTED

The Federal District Court found patent infringement against a corporate defendant only. Plaintiff sought to enforce the resulting judgment against the individual owners of the corporate defendant. The individual owners had been precluded, over their objection, from raising certain defenses which would have been available to them had they been named defendants in the underlying action. The question presented is:

Do individual defendants have a right to be heard, and summary judgment denied to plaintiffs when defendants allege a material, triable issue of fact in a federal civil action?

### LIST OF PARTIES

The parties to the proceeding below were the petitioners, Martha H. Egly and Michael J. Manchester, and the respondent, Minnesota Mining & Manufacturing Company. Alert Alarm Co., Inc. was a defendant not a party to the Appeal to the Federal Circuit.

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IN THE SUPREME COURT OF THE UNITED STATES  
OCTOBER TERM 1989

Martha H. Egly and Michael J. Manchester, Petitioners,

v.

Minnesota Mining & Manufacturing Co., Respondent.

Petition for a Writ of Certiorari to the United States Court  
of Appeals for the Federal Circuit

The Petitioners, Martha H. Egly and Michael J. Manchester, respectfully pray that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in the above-entitled proceeding on November 14, 1989.

OPINIONS BELOW

The opinion of the Court of Appeals for the Federal Circuit has not been reported. It is reprinted in the appendix hereto, page 1a, *infra*.

The memorandum decision of the United States District Court for the Eastern District of Pennsylvania (Giles, J.) has not been reported. It is reprinted in the appendix hereto, page 3a, *infra*.

JURISDICTION

The respondent brought this suit in the Eastern District of Pennsylvania alleging willful infringement of its patent. Respondent sought damages and a permanent injunction covering alleged infringing devices. On May 17, 1989, the Eastern District entered judgment in favor of respondent, and for other relief. See page 10a, *infra*.

On petitioners' appeals, the Federal Circuit on November 14, 1989, entered a judgment and filed an opinion affirming the Eastern District's order. No petition for rehearing was sought.

The jurisdiction of this Court is to review the judgment of the Federal Circuit is invoked under 28 U.S.C. section 1254 (1).

## CONSTITUTIONAL PROVISIONS INVOLVED

### UNITED STATES CONSTITUTION, AMENDMENTS, ARTICLE FIVE

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty or property, without due process of law; nor shall private property be taken for public use, without due process of law; nor shall private property be taken for public use, without just compensation.

### UNITED STATES CONSTITUTION, AMENDMENTS, ARTICLE FOURTEEN, SECTION ONE

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

## STATEMENT OF THE CASE

This is an appeal from the decision of the United States Court of Appeals for the Federal Circuit, to which appeal was made from the United States District Court for the Eastern District of Pennsylvania, from its decision granting summary judgment against the Petitioners, holding them personally liable to pay prior judgments against Pre-Emption Devices, Inc. (P.D.I.), a corporation which they own and of which they are President and Vice President.

The underlying action which was decided by the Eastern District of Pennsylvania was commenced on January 29, 1985, when the Respondent, Minnesota Mining & Manufacturing Co. (3M), pur-

ported owner of patent #28,100 (the Long Patent), brought this action against Martha H. Egly, Michael J. Manchester and Alert Alarm Co., alleging willful infringement of this patent. The Respondent sought damages and a permanent injunction covering alleged infringed devices. It was found that the patent had been willfully infringed by P.D.I. See *Pre-Emption Devices, Inc. v. Minnesota Mining & Manufacturing Co.*, 559 F. Supp. 1250 (E.D. Pa. 1983). The Federal Circuit affirmed. See *Pre-Emption Devices* 732 F. 2d 903 (Fed. Cir. 1984). 3M later initiated contempt proceedings. P.D.I. was found to have violated the injunction and was held in contempt. See *Pre-Emption Devices v. Minnesota Mining Co.*, 630 F. Supp. 463 (E.D. Pa. 1985). On appeal to the Federal Circuit, the matter was affirmed in part, vacated in part, and remanded in view of the new test for infringement announced by *K.S.M. Fastening Systems, Inc. v. H.A. Jones Co., Inc.*, 776 F. 2d. 1522 (Fed. Cir. 1985). *Pre-Emption Devices, Inc. v. Minnesota Mining & Manufacturing Co.*, 803 F. 2d 1170 (Fed. Cir. 1986). Applying the K.M.S. test, the Eastern District found that P.D.I. had infringed the Long patent, and the judgment of contempt was reinstated. *Pre-Emption Devices, Inc. #80-0268* (E.D. Pa. filed Oct. 24, 1986). This ruling was also affirmed by the Federal Circuit. See *Pre-Emption Devices, Inc.*, 824 F 2d. 977 (1987). After 3M was unable to collect from P.D.I. any portion of the judgment, 3M sought to enforce the prior judgments against the individual petitioners herein. In moving for summary judgment, 3M argued that the doctrines of claim preclusion and issue preclusion estopped these petitioners from litigating the issues of patent validity, patent infringement and damages decided in the original *Pre-Emption Devices* decision of 1983.

In opposing the respondent's motion for summary judgment, the petitioners argued that the doctrine of claim preclusion should not apply, in light of new evidence concerning the validity of the Long patent. At the P.D.I. trial, petitioners were asked to leave the courtroom, at the insistence of counsel for the respondents, when critical evidence of 3M installation dates was introduced into evidence. Certain of the dates represented on 3M's exhibit have been discovered to be false, and are likely an attempt to cover other cities where use and sales activity took document, 3M Exhibit 116, until after the trial, when it was first made available

to them, it was impossible for them to explore or to verify the alleged dates of use during the P.D.I. trial. Petitioners alleged that they had been able to view these documents during the trial, they would have been able to present evidence that would rebut the respondents' argument that the patent was in use for the required period of time.

The Eastern District of Pennsylvania Court below, in its decision granting summary judgment, stated that "While defendants asserted this evidence was concealed by 3M during the prime litigation, they offer no evidence to support this assertion." Memorandum opinion, page 9a. The learned trial judge overlooked, and did not address the Opposition Brief of the petitioners to the respondent's motion for summary judgment, where, on page 6, they asserted that the crucial dates represented on 3M's exhibit are false. No opportunity was given to petitioners to be heard on this critical issue.

The Federal Circuit ignored this point completely, as well. It went on to state that the appellants controlled all of their prior litigation, and are precluded also for that reason from litigating the issues therein decided. This is false, as the petitioners cited the order of the trial judge, barring them from the room during the introduction of the aforementioned critical documents. To say that the petitioners were in control of all of their trial litigation, which in fact they were barred from the courtroom during the presentation of crucial, damaging and perjured testimony, represents an injustice which should be redressed.

In criminal proceedings, the right of a defendant to confront his accuser is one of the most basic rights embodied in the United States Constitution. In civil matters as well, it would seem axiomatic that if individuals are substituted for a corporate defendant, which individuals were unable to assert their rights as defendants in the action against only the corporate entity; that the individuals should be able to assert all possible defenses which they were precluded from asserting while the individuals were not named parties. This should be particularly so when the record clearly demonstrates an attempt on the part of the individuals to make these defenses.

Nevertheless, the Federal Circuit affirmed the District Court for the Eastern District of Pennsylvania, for the reasons explained in the trial court's memorandum opinion.



## REASON FOR GRANTING THE WRIT

THE FEDERAL CIRCUIT'S DECISION TO LEAVE THE DISTRICT COURT'S OVERSIGHT UNDISTURBED IS VIOLATIVE OF THE VERY BASIC FUNDAMENTAL NOTIONS OF THE UNITED STATES CONSTITUTION IN THAT THE PETITIONERS HAVE NOT BEEN GIVEN THE OPPORTUNITY TO RESPOND TO THE ALLEGATIONS MADE AGAINST THEM BY THE RESPONDENTS.

A serious attack upon an entrenched, cherished legal principal has been made: The right of a defendant in a civil suit to respond to the charges and the evidence presented against him. The respondents are attempting to abuse the legal doctrine of claim preclusion, or res judicata, in order to be able to perpetuate a fraud. Summary judgment should only be granted in cases where the issues are identical and there is no material question of fact. Here, there is clearly a material question of fact. Petitioners request the opportunity to raise this question of fact, so critical to their case. Otherwise, if the judgment below is permitted to stand, an abhorrent injustice will result.

## CONCLUSION

For these reasons, this Petition for Certiorari should be granted.

Respectfully submitted,  
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Counsel for Petitioners



Note: This opinion has not been prepared for publication in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

**United States Court of Appeals for the Federal Circuit**

89-1549

Minnesota Mining and Manufacturing Company, *Plaintiff-Appellee*

v.

Martha H. Egly, Michael J. Manchester  
and Alert Alarm Company, Inc., *Defendants-Appellants*

Decided: November 14, 1989

Before RICH and NEWMAN, Circuit Judges and DUMBAULD,  
Senior District Judge.\*

PER CURIAM.

**DECISION**

This appeal, the fifth to this court in this litigation, is by Martha H. Egly and Michael J. Manchester, appearing pro se (Alert Alarm Company, Inc., not appealing), from the District Court's Judgement Order entered May 24, 1989, granting summary judgement against Egly and Manchester individually holding them personally liable to pay prior judgements against Preemption Devices, Inc. (PDI), a corporation which they own and of which they are President and Vice-President respectively. We affirm.

**OPINION**

The sole question presented is whether appellants, Egly and Manchester, were in privity with PDI and Minnesota Mining & Manufacturing Company (3M) for infringement of 3M's Long Patent, Re 28, 100, so as to be estopped to relitigate the validity or enforceability of the Long patent by the doctrine of res judicata

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\* The Honorable Edward Dumbauld, United States District Court for the Western District of Pennsylvania, sitting by designation.

as they now wish to do in this action.

The present action, though it bears a different title and is against two individuals and a second corporation, not actual parties to the PDI suit against 3M for declaratory judgement of invalidity of the Long patent, is in reality no more than the final episode in the PDI vs 3M suits which were conducted in fact by Egly and Manchester as sole owners and officers of PDI. Though they were not parties in name, *res judicata* or "claim preclusion" principles require that privies be treated as though they had been parties.

The principles of privity and claim preclusion not being peculiar to patent law, we apply the law of the Third Circuit where this litigation was conducted, though there is no indication it differs from our own. *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F. 2d 1564, 223 USPQ 465 (Fed. Cir. 1984).

We have carefully considered the extensive and analytical opinion of Judge Giles supporting the judgement that appellants are liable to 3M pursuant to the judgements previously entered in its favor and against PDI and are precluded from relitigating the issues decided thereby. We have also considered the arguments pro and con leading to said opinion as well as the briefs and other submissions filed in connection with this appeal. We find no reason to disagree with the conclusions of the district court that appellants were the alter ego of the PDI corporation, and vice versa, and that they were in privity with PDI. Furthermore, appellants controlled all of their prior litigation and are precluded also for that reason from relitigating the issues therein decided. Judge Giles, who wrote the aforesaid opinion, was also the trial judge in the prior litigation and thus was thoroughly familiar with appellants' participation in and relationship to that litigation.

For a strikingly similar case in which this court affirmed the personal liability of owner-officers of a corporate defendant after extensive litigation against an insolvent corporation see *Fromson v. Citiplat Inc.*, \_\_\_\_\_ F.2d \_\_\_\_\_, 12 USPQ2d 1299, 1302 (Fed. Cir. 1989).

We further agree that summary judgement was a proper disposition because there were not disputed issues of material fact on the privity or litigation control issues. The evidence relied on is substantially all from appellants' own testimony.

The judgement appealed from is affirmed for the reasons fully explained in the trial court's memorandum opinion.

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Minnesota Mining and  
Manufacturing Company

Civil Action

v.

Martha H. Egly, et.al.

No. 85-0477

MEMORANDUM

Giles, J.

May, 1989

I. FACTUAL AND PROCEDURAL BACKGROUND

On January 29, 1985, plaintiff Minnesota Mining and Manufacturing Company (3M), owner of Patent No 28,100 (the Long Patent), brought this action, alleging willful infringement of its patent. Plaintiff sought damages and a permanent injunction covering alleged infringing devices.

In Preemption Devices, Inc. v. Minnesota Mining and Manufacturing, 559 F. Supp. 1250 (E.D. Pa. 1983), Preemption Devices (PDI) had brought a declaratory judgment action against 3M to declare the Long patent invalid. 3M counterclaimed for infringement. Claims 1, 3-7, and 9-10 of the Long patent were found valid and further it was found that the patent had been willfully infringed by PDI. The Federal Circuit affirmed. See Preemption Devices, 732 F. 2d 903 (Fed. Cir. 1984).

Subsequently, 3M initiated contempt proceeding. In Preemption Devices v. Minnesota Mining Co., 630 F. Supp. 463 (E.D. Pa. 1985), PDI was found to have violated the injunction and was held in contempt. The case was appealed to the Federal Circuit, which affirmed in part, vacated in part, and remanded in view of the new test for infringement announced by KSM Fastening Systems, Inc. v. H.A. Jones, Co., Inc. 776 F. 2d 1522 (Fed. Cir. 1985). See Preemption Devices, Inc. v. Minnesota Mining and Manufacturing Co., 803 F. 2d 1170 (Fed. Cir. 1986). Applying the new test, the court found that PDI had infringed the Long patent. The judgment of contempt was reinstated. See Preemption Devices, Inc., No. 80-0268 (E.D. Pa. filed Oct. 24, 1986). This ruling was also affirmed by the Federal Circuit. See Preemption Devices, Inc., 824 F. 2d 977 (1987).

3M has been unable to collect from PDI any portion of the judgment. Now, 3M seeks to enforce the prior judgments against the individual defendants. In moving for summary judgment, 3M argues that the doctrines of claim preclusion and issue preclusion estop these defendants from litigating the issues of patent validity, patent infringement, and damages decided in Preemption Devices. For the reasons hereinafter discussed, plaintiffs' motion for summary judgment is granted.

## II STANDARD FOR SUMMARY JUDGMENT

Summary judgment is possible if "there is no genuine issue as to any material fact." Fed. R. Civ. P. 56 (c). the moving party bears the initial burden for demonstrating the absence of a genuine issue. *Childers v. Joseph*, 842 F. 2d 689, 694 (3d Cir. 1988). Here, plaintiff has presented evidence of defendants' relationship to the PDI corporation. This relationship is the central factual issue in the case. Plaintiff has presented evidence which has satisfied its burden.

When a moving party satisfies its burden shifts, and "the non-moving party is obliged to identify those facts of record which would contradict the facts identified by the movant." *Childers*, 842 F. 2d at 694-5. Defendants have failed to meet that burden. While they object to plaintiff's characterization of their relationship to the PDI corporation, their factual assertions do not contradict, and impliedly concede the facts alleged. Consequently, defendants are resting on "mere denials," *id.* at 695, and there is no genuine issue of material fact. Accordingly, the question is whether plaintiff is "entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c).

## III CLAIM PRECLUSION<sup>1</sup>

A party seeking preclusive effect from a prior decision bears the burden of demonstrating that preclusion should attach. *U.S.v. Athlone Industries*, 746 F. 2d 977 (3d Cir. 1984). Under the federal doctrine of claim preclusion, "a judgment on merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action." *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 327 n.5 (1979). The decision in *Preemption Devices* was a judgment on the merits; thus, the questions remaining are

(1) whether the present case involves the same cause of action and  
(2) whether it involves the same parties or their privies.

Two suits involve the same cause of action if they are founded in the same transaction giving rise to liability. *Gregory v. Chehi*, 843 F. 2d 111, 117 (3d Cir. 1988). Here, the cause of action is based on the identical patent infringement claim that was raised and decided in *Preemption Devices*.

The issue remaining is whether the individual defendants were in "privity" with the PDI corporation from the first action. When a party has obtained judgment against a corporation, and sues corporate individuals to enforce the judgment, the individuals are in privity with the corporation if they are alter egos of the corporation. See *Dudley v. Smith*, 504 F.2d 979 (5th Cir. 1974); *Eagle Transport Ltd., Inc. v. O'Connor*, 470 F. Supp. 731 (S.D.N.Y. 1979); *Stucki Co. v. Worthington Industries, Inc.*, 849 F. 2d 593 (Fed Cir. 1988).

A court can inquire as to alter ego status when the situation calls for piercing the corporate veil. The corporate veil should be pierced "to prevent fraud, illegality, or injustice, or when recognition of the corporate entity would defeat public policy. . . ." *Carpenters Health and Welfare Fund v. Ambrose*, 727 F. 2d 279, 284 (3d Cir. 1983). Here, if the corporate veil were not pierced in the interests of justice, the prior judgments against PDI could not be enforced. Such a result would promote injustice and would frustrate public policy. Cf. *Valley Finance, Inc. v. United States*, 629 F. 2d 162, 171-2 (D.C. Cir. 1989).

The Third Circuit has set forth factors for determining when the alter ego theory should be used to disregard the corporate entity. These factors include:

(F)ailure to observe corporate formalities, non payment of dividends, the insolvency of the debtor corporation at the time, siphoning of funds of the corporation by the dominant stockholder, nonfunctioning of other officers or directors, absence of corporate records and the fact that the corporation is merely a facade for the operations of the dominant stockholder or stockholders. . .

Undercapitalized is an additional factor  
which the court may consider.

Carpenters Health and Welfare Fund, 727 F. 2d 284 (citations omitted.)

There is substantial evidence demonstrating that the three defendants were alter egos of the PDI corporation. In particular, the defendants failed to observe corporate formalities, and rendered the corporation a facade for the operation of the dominant stockholders.

#### A. Martha H. Egly

An individual's close control of a corporation, while "not by itself sufficient, ~~is~~ clearly not irrelevant" in determining alter ego status. Valley Finance, Inc., 629 F. 2d at 172. At the time of PDI's incorporation in 1978, Egly and Manchester were the only shareholders. Defendants' Memorandum at 2. Egly purchased Manchester's shares shortly thereafter, and was the sole shareholder until 1984. Egly's Deposition (1981) at 36-7. Defendants' Memorandum at 2. Presently, Egly is the co-director of the PDI corporation. Manchester's Deposition at 26. Since 1978, Egly has also served as president of PDI. Egly's Deposition (1986) at 8-9.

In addition to Egly's close control of the corporation, she failed to maintain the corporation as a distinct and separate entity. Egly commingled the corporation's funds with her own. Defendants' Memorandum at 3; Manchester's Deposition at 55. Over the years, she "loaned" over five million dollars of her own money to PDI and the Alert Alarm corporation. Egly's Deposition (1986) at 17. The loans were not evidenced by notes or other writings and bore not interest. Id. at 43; Manchester's Deposition at 106. In a similar situation, the third circuit held that the failure to observe corporate formalities and the commingling of funds established an alter ego relationship between a corporation and a corporate individual. See United States v. Pisani, 646 F. 2d 83, 88-9 (3d Cir. 1981).

Besides functioning as an alter ego, Egly controlled the prior litigation. Ms. Egly attended the liability and contempt proceedings. She spent a substantial amount of time preparing for the case, Manchester's Deposition at 128-9, and she corresponded with 3M's



lawyers. By virtue of her "loans" to PDI, Ms. Egly used personal funds to pay for PDI's attorneys and for the special master in the litigation. Egly's Deposition (1986) at 39-40, 46. Such control over the previous case gives rise to privity. See *Mother's Restaurant, Inc. v. Mamma's Pizza, Inc.*, 723 F.2d 1566, 1572 (Fed. Cir. 1983); *Kreager v. General Electric Co.*, 497 F.2d 468 (2d Cir. 1974); *In re Teltronics Services Inc.*, 762 F.2d 185 (2d Cir. 1985).

#### B. Michael J. Manchester

Like Egly, Manchester exercised close control over PDI and failed to maintain the corporation as a separate entity. At the time of PDI's incorporation, and until Egly purchased his shares, Manchester was a co-shareholder of the PDI corporation. Defendants's Memorandum at 2, Egly's Deposition (1981) at 36-7. Manchester remains a co-director of PDI. Manchester's Deposition at 26. Since 1978, he has also served as vice-president of PDI. Egly's Deposition (1986) at 8-9.

Manchester used personally borrowed funds to pay the employees who produced PDI's products. Manchester's Deposition at 33-34, 40. Manchester owns the building which houses PDI, but charges PDI no rent. *Id.* at 54.

The patents for PDI's products were taken by Egly and Manchester, and not by PDI. *Id.* at 27-30. Egly and Manchester and not PDI, own all of PDI's equipment and intangible assets. In regard to this property, neither Egly nor Manchester took a security interest or entered written agreements with PDI. *Id.* at 62-3, 106-9. Together, Egly and Manchester engaged in behavior which disregarded PDI's corporate status.

#### C. Alert Alarm Company, Inc.

The Alert Alarm corporation overlapped substantially with the PDI corporation, as follows:

(1) In addition to their control over PDI, Manchester and Egly controlled the Alert Alarm corporation. Egly was the sole shareholder from 1966 until 1980, when Manchester purchased Egly's shares. Defendant's Memorandum at 2.

(2) Alert Alarm's funds were commingled with PDI's. Mr. Manchester transferred profits realized from PDI to the Alert Alarm



corporation. Manchester's Deposition at 71. When meeting business expenses, Manchester and Egly drew interchangeably from the funds of PDI and Alert Alarm. Id. at 55.

(3) PDI had no employees. Instead, Alert Alarm's employees produced PDI's products. Id. at 26, 31-32.

(4) The offices of Alert Alarm and PDI were located in the same building. This building was owned by Manchester. Id. at 54.

This evidence demonstrates that an alter ego relationship existed between PDI and Alert Alarm. In *Galgay v. Gangloff*, 677 F. Supp. 295 (M.D. Pa. 1987) it was alleged that the defendants, an individual and two corporations, were alter egos of each other. The plaintiff had alleged "that all defendants conducted the same or similar business, operated out of the same office and share equipment, assets and employees and that each defendant enterprise was controlled by (the defendant individual)." Id. at 299. In denying defendants' motion to dismiss, the court observed that, under the third circuit test, the allegations if proven "would certainly serve as evidence of an alter ego relationship." Id. at 300.

Here, from 1978 to 1985, the period of time during which PDI was found to have willfully infringed 3M's patent, Egly, Manchester, and Alert Alarm corporation functioned as alter egos of the PDI corporation. As such, defendants are in privity with PDI for purposes of claim preclusion. See *Dudley v. Smith*, 504 F. 2d 979 (5th Cir. 1974). Consequently, plaintiff has established all the requisite elements for claim preclusion.

#### IV. NEW EVIDENCE REGARDING THE VALIDITY OF 3M'S PATENT

When the elements of preclusion have been established, the burden shifts to the party opposing preclusion. See *Frye v. United Steelworkers of America*, 767 F. 2d 1216, 1221 (7th Cir. 1985), cert. denied, 474 U.S. 1007 (1985). According to the Supreme Court in *Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), this burden is particularly onerous when the party opposing preclusion (1) had been plaintiff in the prior litigation and (2) had unsuccessfully asserted patent claims. As explained above, the defendants opposing preclusion were in privity with PDI in the prior litigation. In that litigation, PDI lost on its patent claims. Consequently, *Blonder-Tongue*

applies, and defendants have a heavy burden of demonstrating that this action should proceed.<sup>3</sup>

In arguing against preclusion, defendants allege new evidence concerning the validity of 3M's patent. "In order to show that a prior judgment is not binding for want of essential evidence, a patentee must fulfill the two criteria of (Blonder-Tongue) test. It must persuade the second court that the additional evidence was crucial to a proper resolution in the first tribunal, and that the patentee bore no responsibility for the absence of the evidence in the prior trial." *Kaiser Indus. Corp. v. Jones and Laughlin Steel Corp.*, 515 F. 2d 964, 982 (3d Cir. 1975), cert. denied, 423 U.S. 876 (1975), modified, 524 F. 2d 1154 (3d Cir. 1975). See also *Stevenson v. Sears, Roebuck & Co.*, 713 F. 2d 705 (Fed. Cir. 1983).

Under this test, defendants' assertion that the case should proceed fails. In arguing against claim preclusion, defendants allege new evidence that the patent was "in public use" more than one year prior to the application for patent. See 35 U.S.C. & 102 (b) (1976); *Preemption Devices*, 559 Supp. at 1256-9. Defendants also allege new evidence that fraud was committed on the Patent Office during the prosecution of the patent. See 559 F. Supp. at 1263-5. While defendants assert that this evidence was concealed by 3M during the prior litigation, they offer not evidence to support this assertion. In addition, they do not attempt to show that they "bore no responsibility for the absence of evidence in the prior trial." *Kaiser*, 515 F. 2d at blameless regarding the prior gaps in evidence, they cannot avoid preclusion under *Blonder-Tongue*.

Even if defendants had demonstrated blamelessness, they would be precluded under *Blonder-Tongue*, for they have not established that the additional evidence was crucial. In *Preemption Devices*, the PDI corporation, the instant defendants' privy, presented substantial evidence on the issues of public use and alleged fraud committed on the Patent Office. The new evidence does not differ qualitatively from the evidence presented in *Preemption Devices*. Neither have defendants pointed to a change in the applicable law. Consequently, the evidence cannot be considered "crucial" under *Blonder-Tongue*. See *Kaiser*, 515 F. 2d at 982.

Because defendants have failed to meet their burden, plaintiff

is entitled to summary judgment under claim preclusion. It is unnecessary to address plaintiff's additional argument that defendants are barred under issue preclusion.

#### V. REMEDY

Since claim preclusion applies, the judgment in Preemption Devices is binding on the parties. Accordingly plaintiff is entitled to the remedies prescribed by Preemption Devices. See Dudley, 504 F. 2d at 981.

An appropriate order follows.

#### JUDGMENT ORDER

AND NOW, this 17th day of May, 1989, in accordance with the foregoing memorandum and with the orders entered in the case of Preemption Devices, Inc. v. Minnesota Mining and Manufacturing Company, No. 80-0268, it is hereby ORDERED that:

1. Judgment is entered in favor of 3M and against the defendants Martha H. Egly, Michael J. Manchester, and Alert Alarm Company, Inc., jointly and severally, in the amount of \$766,197.14. This amount reflects the judgment rendered under this court's order of March 12, 1986, in Civil Action No. 80-0268.

2. Post-judgment interest is awarded on this amount, dating from March 12, 1986.

3. Judgment is entered in favor of 3M and against the defendants Martha H. Egly, Michael J. Manchester, and Alert Alarm Company, Inc., jointly and severally, in the amount of \$55,292.15. This amount reflects the judgment rendered under this court's order of January 18, 1988, in Civil Action No. 80-0268.

4. Post-judgment interest is awarded on this amount dating from January 18, 1988.

5. Judgment is entered in favor of 3M and against the defendants Martha H. Egly, Michael J. Manchester, and Alert Alarm Company, Inc., jointly and severally, in the amount of \$298,981.75. This amount reflects the award of attorneys' fees, expenses, and costs rendered under this court's order of May 16, 1989, in Civil Action No. 80-0268.

